

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

<b>Illinois Commerce Commission</b>	:	
<b>On Its Own Motion</b>	:	
<b>-vs-</b>	:	
<b>Mt. Carmel Public Utility Company</b>	:	<b>09-0534</b>
	:	
<b>Reconciliation of revenues</b>	:	
<b>collected under fuel adjustment</b>	:	
<b>charges with actual costs</b>	:	
<b>prudently incurred.</b>	:	

**DRAFT ORDER**

By the Commission:

On November 12, 2009, the Illinois Commerce Commission ("Commission") entered an Order Commencing FAC Reconciliation Proceedings, which directed Mt. Carmel Public Utility Co. ("Mt. Carmel"), to present evidence at a public hearing in this docket showing the reconciliation of revenues collected under its Fuel Adjustment Clause tariff ("FAC") with the actual cost of fuel supplies prudently incurred and recoverable under said FAC tariff for the year ending December 31, 2009, (the "Reconciliation Period"). Notice of the filing of Mt. Carmel's testimony and schedules with the Commission was posted in its business offices and was published in newspapers having general circulation in its service territory, in the manner prescribed by 83 Ill. Adm. Code 255, in compliance with the Commission's Order.

Pursuant to proper legal notice, a prehearing conference was held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois on May 12, 2010. Thereafter, an evidentiary hearing was held on September 17, 2010. Appearances were entered by counsel for Mt. Carmel and by Mr. Scott Tolsdorf of the Commission's Financial Analysis Division, and Ms. Mona Elsaid of the Commission's Energy Division (~~%Staff+~~). Both Mt. Carmel and Staff presented evidence, and at the conclusion of the latter hearing, the record was marked "Heard and Taken."

Section 9-220 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., provides in part that "notwithstanding the provisions of Section 9-201, the Commission may authorize an increase or decrease in rates and charges based upon changes in the cost of fuel used in the generation or production of electric power, [or] changes in the cost of purchase power . . . through the application of fuel adjustment clauses . . . ." Rules implementing Section 9-220 are contained in 83 Ill. Adm. Code 425, "Uniform Electric Fuel Adjustment." Under Section 425.20, "the fuel charge passed through the FAC is the total amount of allowable fuel and fuel related charges as identified herein."

The formula for determining the fuel adjustment charge per kilowatt-hour is set forth in Section 425.30. Rules regarding economic dispatch, billing periods, allowable fuel and fuel related charges, allowable energy charges associated with purchased power, base fuel costs, non-jurisdictional sales, and desulfurization costs are contained in Section 425.40.

Mt. Carmel is a combination electric and gas utility serving customers in the area of Wabash County and Lawrence County, Illinois. Mt. Carmel serves approximately 5,519 electric customers. Mt. Carmel has no generation facilities and purchases all electric power and energy under long term contract based on requests for proposals. The electric power and energy is delivered to Mt. Carmel at electric substations owned by Ameren Illinois located in Albion and Lawrenceville, Illinois. The power and energy is then transported upon Mt. Carmel's transmission lines to its distribution system. Mt. Carmel's peak electric load for 2009 was 26 megawatts.

Philip Barnhard, IV, President of Mt. Carmel, is responsible for supervising the calculation and filing with the Commission of Mt. Carmel's monthly and annual reconciliation required by Mt. Carmel's FAC tariff. In his Direct Testimony, marked Mt. Carmel Exhibit 1.0, he testified that Mt. Carmel purchased all of its electric power requirements in calendar year 2009 from Duke Energy Indiana. Mr. Barnhard sponsored Exhibits E-1 and E-2 attached to his direct testimony, which identify and reconcile all components of Mt. Carmel's 2009 fuel costs and recoveries. Exhibit E-1 is a copy of Mt. Carmel's FAC rate sheets. Exhibit E-2 shows the reconciliation of revenues and costs, including Mt. Carmel's requested ordered reconciliation factor. Mr. Barnhard also expresses the opinion that Mt. Carmel's fuel supply purchases were prudent during 2009.

Mr. Scott Tolsdorf of the Accounting Department of the Financial Analysis Division, in his Direct Testimony as set out in ICC Staff Exhibit 1.0, testified that he reviewed Mt. Carmel's filing and the underlying documents that support the FAC reconciliation calculations. Mr. Tolsdorf recommends adjustments be made to correct Line 2, Line 3, Line 8 and Line 9 of Company's proposed reconciliation schedule, to correct errors in Mt. Carmel's FAC reconciliation. His first adjustment reflects an adjustment to Line 2 (removes \$2,239 from Line 2), Factor Ro Collected/(Refunded) During 2009, to reflect that the 2008 Factor Ro of \$2,239 was actually refunded to customers with the calculation of the January 2010 rates. The adjustment made on Line 2 is then reflected by reducing the Line 3 total (Balance Collected/(Refunded) during 2009 by \$2,239. This adjustment of \$2,239 is further reflected by reducing the Line 8 balance (FAC Reconciliation Balance at December 31, 2009) and Line 9 balance (Balance of Factor Ra at December 31, 2009) by \$2,239 respectively. The overall impact of his adjustments results in a Factor Ro refund of \$1,053. Mr. Tolsdorf recommends that the Commission direct Mt. Carmel to refund this amount in its fuel adjustment charge in its first monthly FAC filing following the date of the order in this docket. On the record, Mt. Carmel, accepted Mr. Tolsdorf's adjustments and recommendation as set forth in ICC Staff Exhibit 1.0, Schedule 1.

Ms. Mona Elsaid, of the Engineering Department of the Energy Division also testified in her Direct Testimony marked ICC Staff Exhibit 2.0 that she reviewed Mt. Carmel's filing, Mt. Carmel's contract with Duke Energy, and Mt. Carmel's responses to Staff data requests concerning the prudence of Mt. Carmel's contract with Duke Energy during the Reconciliation Period. Ms. Elsaid further testified that she found Mt. Carmel's decision to keep its contract with Duke Energy prudent during the 2009 reconciliation period.

### **Commission's Conclusions, Findings, and Ordering Paragraphs**

The evidence shows that during the calendar year 2009 Reconciliation Period, Mt. Carmel acted prudently in its procurement of fuel supply. The evidence presented by the parties further shows that the cost of purchased fuel has been reconciled satisfactorily with the revenues received for such fuel during calendar year 2009.

The Commission notes that (\$264,352) from prior periods was refunded during the 2009 period as reflected in the attached Appendix, lines 1-3. The activity for the 2009 reconciliation period shows an under recovery in the amount of \$241,242 as reflected in the attached Appendix, lines 4-7. Thus, adding the balance refunded from prior periods to the 2009 under recovery results in an over recovered FAC reconciliation balance on December 31, 2009 of (\$23,110). This balance combined with the Factor Ra balance of (\$22,057), results in a Factor Ro in the amount of (\$1,053), as reflected in the attached Appendix, lines 8-10.

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Mt. Carmel is a corporation engaged in the distribution of electricity to the public in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over Respondent and of the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the evidence of record and are hereby adopted as findings of fact;
- (4) the evidence shows that during the Reconciliation Period, Mt. Carmel acted reasonably and prudently in its purchase of fuel; and
- (5) the reconciliation of Mt. Carmel's revenues collected under its FAC tariff with the actual cost of fuel supplies during the Reconciliation Period, as described in the Appendix attached hereto, should be approved.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the reconciliation for Mt. Carmel Public Utility Co. of the revenues collected under its FAC tariff with costs prudently incurred for the purchase of fuel for calendar year 2009, set forth in the Appendix hereto, is hereby approved.

IT IS FURTHER ORDERED that Mt. Carmel Public Utility Co. include the over recovered Factor Ro amount of (\$1,053) in its first monthly FAC filing following the date of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

(SIGNED) MANUEL FLORES

Acting Chairman